

Message Text

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ORIGIN SS-25

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DRAFTED BY EB/ORF/FSE:MVCREEKMORE:MW

APPROVED BY THE SECRETARY

EB - TOENDERS

ARA - WLUERS

E - RSORENSEN

S/S :CABORG

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FM SECSTATE WASHDC

TO AMEMBASSY CARACAS IMMEDIATE

C O N F I D E N T I A L STATE 214126

EXDIS

E.O. 11652: XGDS - 3

TAGS: ENRG

SUBJECT: OPEC OIL PRICE DECISION

1. YOU ARE REQUESTED TO DELIVER THE FOLLOWING LETTER FROM
PRESIDENT FORD TO PRESIDENT PEREZ AS SOON AS POSSIBLE.
QUOTE: DEAR MR. PRESIDENT: I WISH TO PRESENT FOR YOUR
CONSIDERATION MY CONCERNS ON AN ISSUE OF GREAT IMPORTANCE
TO RELATIONS BETWEEN DEVELOPED AND DEVELOPING COUNTRIES,
AND TO THE WELL-BEING OF NOT ONLY OUR TWO COUNTRIES BUT
ALL THE NATIONS OF THE WORLD.

SINCE THE CONSUMER/PRODUCER PREPARATORY MEETING IN PARIS
LAST APRIL, THE UNITED STATES HAS MADE A MAJOR EFFORT TO
RE-ESTABLISH A BASIS FOR DIALOGUE AND COOPERATION BETWEEN
THE NATIONS OF THE DEVELOPING WORLD, INCLUDING THOSE
WHICH EXPORT OIL, AND THE INDUSTRIALIZED NATIONS. WE HAVE
UNDERTAKEN A FUNDAMENTAL REVIEW OF OUR OVERALL POLICY
TOWARD THE DEVELOPING COUNTRIES. THIS REVIEW HAS RESULTED
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IN A NEW APPROACH TO THE PRODUCER/CONSUMER DIALOGUE THAT

RESPONDS MORE FULLY TO THESE NATIONS' CONCERNS, PARTICULARLY THOSE RAISED BY YOUR GOVERNMENT'S REPRESENTATIVES AND OTHER DELEGATIONS DURING THE PARIS MEETING. SINCE SECRETARY KISSINGER ARTICULATED THE GENERAL OUTLINES OF THIS NEW APPROACH IN SPEECHES IN KANSAS CITY AND PARIS IN MAY,

WE HAVE MADE MUCH PROGRESS IN ESTABLISHING THE CONSTRUCTIVE UNDERSTANDINGS NECESSARY TO PROMOTE FURTHER MUTUALLY BENEFICIAL COOPERATION AMONG THE NATIONS OF THE WORLD. FURTHERMORE, AS YOU KNOW, WE HAVE MADE A NUMBER OF IMPORTANT SPECIFIC PROPOSALS FOR COOPERATION AT THE CURRENT SPECIAL SESSION OF THE UNITED NATIONS GENERAL ASSEMBLY.

THE ECONOMIC DIALOGUE WILL BE A CENTERPIECE IN THE NEW EVOLVING RELATIONSHIP BETWEEN THE INDUSTRIAL AND DEVELOPING NATIONS. WE ARE PLEASED THAT OUR EFFORTS, AND THOSE OF YOUR GOVERNMENT AND OTHERS, HAVE SUCCEEDED IN ESTABLISHING A CONSENSUS FOR ITS RESUMPTION. OVER THE PAST MONTHS, WE HAVE CLEARLY DEMONSTRATED OUR COMMITMENT TO A CONSTRUCTIVE DIALOGUE AND OUR BELIEF THAT ITS SUCCESS REQUIRES EACH PARTICIPANT TO RECOGNIZE AND TAKE FULL ACCOUNT OF THE VITAL INTERESTS OF THE OTHERS.

AS YOU CAN APPRECIATE, THE PROGRESS WHICH WE HAVE MADE IN DEVELOPING THE NEW U.S. POSITION HAS REQUIRED CONSIDERABLE CONSULTATION WITH INTERESTED GROUPS IN OUR SOCIETY IN ORDER TO CREATE A GREATER PUBLIC AWARENESS OF THE CONCERNS OF THE OIL PRODUCERS AND OTHER DEVELOPING COUNTRIES AND THE NEED FOR COOPERATIVE SOLUTIONS TO OUR COMMON ECONOMIC PROBLEMS. I AM CONCERNED, HOWEVER, THAT THIS GREATER PUBLIC UNDERSTANDING WILL BE JEOPARDIZED SHOULD THE MEMBER COUNTRIES OF OPEC INCREASE THE PRICE OF OIL THIS FALL. I DO NOT MEAN TO INDICATE THAT SUCH ACTION BY OPEC WOULD CAUSE US TO QUESTION OUR FUNDAMENTAL COMMITMENT TO THE DIALOGUE. HOWEVER, IT WOULD INEVITABLY TEND TO AFFECT SUPPORT IN THIS COUNTRY FOR NEW SOLUTIONS TO INTERNATIONAL ECONOMIC PROBLEMS.

ANOTHER OIL PRICE INCREASE BY OPEC WOULD ALSO HAVE A SIGNIFICANT NEGATIVE IMPACT ON THE ECONOMICS OF ALL THE

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OIL IMPORTING NATIONS -- BOTH DEVELOPED AND DEVELOPING -- AT THE VERY TIME THAT SIGNS OF PROGRESS IN THE FIGHT AGAINST RECESSION AND INFLATION ARE APPEARING. SUCH A PRICE INCREASE WOULD IMPOSE SHOCKS ON THE U.S. ECONOMY, ON THE MORE VULNERABLE ECONOMIES OF EUROPE AND JAPAN, AND ON THE HIGHLY FRAGILE ECONOMIES OF THE DEVELOPING WORLD. IT WOULD AT THE VERY LEAST REDUCE THE PROGRESS TOWARD ECONOMIC RECOVERY, AND COULD IN FACT PLUNGE A

NUMBER OF COUNTRIES INTO EXTREMELY SERIOUS DIFFICULTIES.

IT IS BECAUSE I AM AWARE, MR. PRESIDENT, OF YOUR
SENSITIVITY TO THE INTERDEPENDENCE OF THE WORLD ECONOMY,
OF THE HIGH PRIORITY WHICH YOU AND YOUR GOVERNMENT GIVE

TO PROMOTING THE WELFARE OF ALL THE DEVELOPING COUNTRIES,
AND OF YOUR COMMITMENT TO A SUCCESSFUL ECONOMIC DIALOGUE
BETWEEN DEVELOPED AND DEVELOPING COUNTRIES THAT I AM
ASKING YOU TO WEIGH HEAVILY THE ADVERSE EFFECTS -- BOTH
PSYCHOLOGICAL AND REAL - WHICH A PRICE INCREASE COULD
HAVE. IT IS MY HOPE THAT YOU WILL USE YOUR CONSIDERABLE
INFLUENCE AMONG THE PRODUCER COUNTRIES TO ASSURE THAT
THESE CONCERNS BE PROPERLY EMPHASIZED AND THAT THE
POSSIBLE CONSEQUENCES BE UNDERSTOOD -- NOT LEAST OF WHICH
IS HINDRANCE OF MOVEMENT TOWARD THE BROADER OBJECTIVES
WHICH ALL OF US SEEK TO ACHIEVE.

FOR MY PART, YOU CAN BE ASSURED OF A CONTINUING DETERMINED
EFFORT TO BRING OUR TWO COUNTRIES CLOSER TOGETHER, BOTH
IN OUR BILATERAL RELATIONS AND IN COOPERATIVE EFFORTS TO
SOLVE BROADER WORLD PROBLEMS OF MUTUAL CONCERN. SINCERELY,
GERALD R. FORD. HIS EXCELLENCY CARLOS ANDRES PEREZ,
PRESIDENT OF VENEZUELA, CARACAS. END QUOTE.

2. REPORT WHEN DELIVERY EFFECTED. KISSINGER

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